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“Decentralisation Reform in Ukraine“

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Decentralization reform in Ukraine is currently focusing on the local level.

Ukraine has made considerable progress in a relatively short period of time in

- Fiscal and sectoral decentralization: Amendments to the budget and tax codes gave local government new budgetary powers. In 2016, the local budgets of amalgamated communities amounted to 281 million UAH. Their own local revenues increased by 3 times compared to 2015. This increased municipalities' ability to improve services and infrastructure.
- Regional development and the
- Amalgamation process of small municipalities.
- Sectoral decentralization in a number of sectors e. g. in the areas health and education, others to follow.

But also the main Problems should be mentioned:

- Inexperience of local authority staff, especially in managing budgets
- Legal uncertainties on the rights and responsibilities of new municipalities.
- Rayon/oblast state administrations continue to block local initiatives and substitute functions of local self-government bodies
- Weak links between regional planning, budget management and project formulation
- Lack of public oversight, low citizen awareness and trust

The European Union supports the decentralization reform not only with words but with concrete actions, with technical assistance and significant financial support. The European Union is committed to support the decentralization reform in Ukraine with significant amount of funds, exceeding EUR 200 million, mostly (102 mill.) from U-LEAD. However, the reform success does not only depend on money. The reform success

depends in the first place on the success of the mayors and community leaders. They are playing the key role to realize of a new quality of local self-governance in Ukraine, a European quality.

One key element of the support the EU, including the Committee of Regions, is to share relevant experiences. Sharing experiences about successes, but also about risks even possible failures. This shall be about learning from each other, not copying. The system of government and responsibilities at different levels in EU Member States are very different, and reflect very different administrative traditions. Ukraine needs to find its own way of checks and balances between national and local level. So capacity building for actors at the central, regional and local levels is needed to improve implementation of decentralization reform.

In this respect, you may not expect that the discussion about competences and their distribution at the different level of governance will ever come to an end. This is a never-ending discussion in EU Member States, even in the "old" ones.

You have to expect resistances and opposition against decentralization and strong local governments: The more administrative and budget autonomy is transferred to newly amalgamated municipalities and cities, the less leverage over the local governments the state authorities will have. Therefore successful leaders of new hromadas have naturally not only friends. It is a simple question of distribution of political powers. And central governments are not really willing to give power to their subnational levels.

The Heads of the newly formed communities have taken up a very challenging and demanding job. Local authorities are closest to citizens and their daily efforts will be most important for improving services and bringing Ukraine closer to European standards and practices.

The decentralization reform till now produced visible results, important to mention are the higher local budgets in the 413 amalgamated communities. I only can call to the Ukrainian Government to keep continuity in funding for the newly amalgamated municipalities. Constant changes of funding from central government to local

government and changes in rules for tax revenues are counterproductive. To get used to the new conditions municipalities need reliable revenue flows.

That means new opportunities for local initiatives and self-government.

However, I would also like to emphasize that the Decentralization reform is not completed and there are a number of challenges ahead. I would like to mention three crucial challenges:

- First, the new hromadas (communities) formed so far might be the "low hanging fruits". These communities often unite the most active mayors and citizens and their amalgamation was voluntarily. Within less than two years over 1800 municipalities have merged voluntarily to create 413 communities ("hromadas"). That's much more than experts have ever expected. For the remaining ones we expect much more difficulties. We shall not forget that hundreds more are needed. So the amalgamation process needs to be continued.
- Secondly: The "rayon" (district) level needs also to be reformed -not only in the six communities in Ukraine which are entirely covered by one rayon, but for the whole country. The lack of a vision and the absence of clear legislation create problems for the realisation of local self-governance in many communities. The task of the state administration at oblast and rayon level needs to be re-defined and clearly separated from the local self-governance.
- Thirdly, it is important to achieve visible progress for citizens and enhance the delivery of public services at local level. An important tool for this is the establishment of administrative service centres at community level, close to citizens. They have to provide support to the amalgamation process, consulting on budget planning, local development, strategic planning etc.) These centres have proved to be effective for the provision of transparent, corruption-free services at local level.
- Constitutional Amendments and Regional Decentralisation

As for decentralisation at regional level, related laws are currently blocked.

The adoption of constitutional amendments on decentralisation has been stalled. Final adoption of decentralisation constitutional amendments has no majority in the Parliament at present. The inclusion of a clause on the special status of Donbas, as negotiated and agreed in the framework of the Minsk protocol, is seen as a capitulation before the separatist and is highly politically charged. A separate draft law on reintegration of Donbass was elaborated by a working group and is expected to be registered in the Parliament but has not yet been publically disclosed.

Some experts seem to concede that increasing the self-governance at regional (oblast) level, as foreseen by constitutional amendments, could result in "regional takeover" by oligarchs/local leaders, and increase the risks of "externally-induced" separatism, while the conflict in the East of the country is still ongoing. Oligarch-influenced regional elites would then be able to use a threat of separatism as a tool to extort more funding and concessions from the central government.

We know that Ukrainian government is extremely hesitating to open discussions in this topic, but has to be reminded to remain open for discussion on a possible way forward.

So it seems that there is a need for careful reflections on how to proceed further with the reform of state administration and self-government bodies at regional level. Europe can offer many different examples for the organisation of multi-level governance. Ukraine is welcome to take inspiration from various experiences with different concepts of decentralisation. A careful step-by-step approach is recommended.

So for example draft constitutional amendments foresee the creation of executive Bodies of the regional councils, which would take over most of the powers of the Oblast state administration. Currently the regional state administration does not only represent the central authorities, but also the executive bodies of the regional councils, without being accountable to them. So the current division of powers is contrary to the very logic of the decentralisation reform.

Government and Rada seem not to be capable or sufficiently interested to adopt legislation in support of the decentralisation process.

The European Union remains committed to support Ukraine on the path of further Decentralization and in overcoming the mentioned challenges.

One of the main EU programmers to support Ukraine's Decentralization reform is U-LEAD with Europe, a joint program of the EU and its Member States Denmark, Estonia, Germany, Poland and Sweden. The assistance is delivered through 24 Regional Centers all over Ukraine. There is also one in Lviv oblast (headed by Andriy Bryn) and you are all invited to cooperate with U-LEAD at the various levels.

The regional centers under U-LEAD in 24 regions are for us very important platforms, tools to support the bottom-up dimension of the reforms.

Our goal is to bring decision making closer to Ukrainian people and in this way, helping Ukraine to build a more effective and transparent system of multi-level governance, ensuring benefits for ALL citizens of the country. The process of Decentralization process is a crucial for achieving this result and, therefore, an integral part of the European integration process of Ukraine.

Looking forward to an interesting discussion with you!